

ESO 147

HIGHER FOOD PRICES --
FACTORS & IMPLICATIONS

by

WALLACE BARR

LOIS SIMONDS

EDGAR WATKINS

DEPARTMENT OF AGRICULTURAL ECONOMICS
AND RURAL SOCIOLOGY, THE OHIO STATE
UNIVERSITY IN ASSOCIATION WITH THE
OHIO COOPERATIVE EXTENSION SERVICE

APRIL, 1973

HIGHER FOOD PRICES -- FACTORS AND IMPLICATIONS

-- FOOD PRICE RISES -- HOW MUCH ??

	Feb. '72 - Feb. '73
ALL FOOD	7.3 %
MEAT, FISH, POULTRY	13.1 %
DAIRY PRODUCTS	3.5 %
FRUITS & VEGETABLES	7.6 %

-- WHO DID THAT TO US ??

-- WHY ??

PRICE CHANGES

	<u>CPI</u>	FOOD AT <u>HOME</u>
1967	100	100
1968	104.2	103.2
1969	109.8	108.2
1970	116.3	113.7
1971	121.3	116.4
1972	125.3	121.6
FEB. -'73	128.6	128.7

PRICE CHANGES, DEC. '71 - DEC. '72

FOOD AT HOME	+ 5.9
MEAT	+ 13.4
POULTRY	+ 2.8
FISH	+ 15.4
EGGS	+ 17.1
DAIRY	+ 2.2
FATS-OILS	- 2.3
FRESH FRUITS & VEG.	+ 2.5
PROC. FRUITS & VEG.	+ 3.6
CEREALS	+ 2.0
SUGAR - SWEETS	+ 1.4

WHY ARE FOOD PRICES UP ?

-- SUPPLY FACTORS:

- CORN BLIGHT - 1970

HIGHER FEED COSTS: PORK PRICES UP 1973

- TERRIBLE 1972 HARVEST SEASON

- POOR WEATHER

U.S.S.R.; ASIA; AUSTRALIA

- WORLD GRAIN SALES

INCREASE: 1/3 to USSR
2/3 to REST OF WORLD

- POOR FISHING

LESS FOR HUMANS

LESS PERUVIAN ANCHOVIES FOR LIVESTOCK FEED

- LIVESTOCK PRODUCTION CYCLES

WHY ARE FOOD PRICES UP ?

-- DEMAND FACTORS

- RAPIDLY RISING INCOMES

IN US

AROUND THE WORLD

WANT MORE MEAT: BEEF

- MORE FOOD STAMPS

NOW OVER \$ 3.5 BIL.

15 MIL. PEOPLE

BUY MORE MEAT: BEEF

WEEKLY USE PER HOUSEHOLD FOR MEAT AND BEEF, 1965
(HOUSEHOLD INCOME AFTER TAXES)

INCOME GROUPS	POUNDS		BEEF / PERSON	BEEF AS % OF ALL
	MEAT	BEEF		
UNDER \$ 5,000	8.42	3.70	1.0	43.9
\$ 5,000 - 9,999	12.69	6.49	1.7	51.1
\$ 10,000 - 14,999	13.04	6.95	2.1	53.3
\$15,000 - OVER	14.80	8.32	2.5	56.2

AVERAGE PER CAPITA DISPOSABLE INCOME (in 1958 dollars)
RELATED TO AVERAGE PER CAPITA CONSUMPTION OF BEEF

YEAR	U.S. AVERAGE PER CAPITA DISPOSABLE INCOME	CONSUMPTION PER PERSON
1950-54	\$ 1,684	68
1955-59	1,838	83
1960-64	1,977	91
1965-69	2,399	106
1970	2,603	114
1971	2,679	113
1972	2,770	116
1980 (Est.)	3,400	140

WHAT'S HAPPENING TO MEAT USE ?

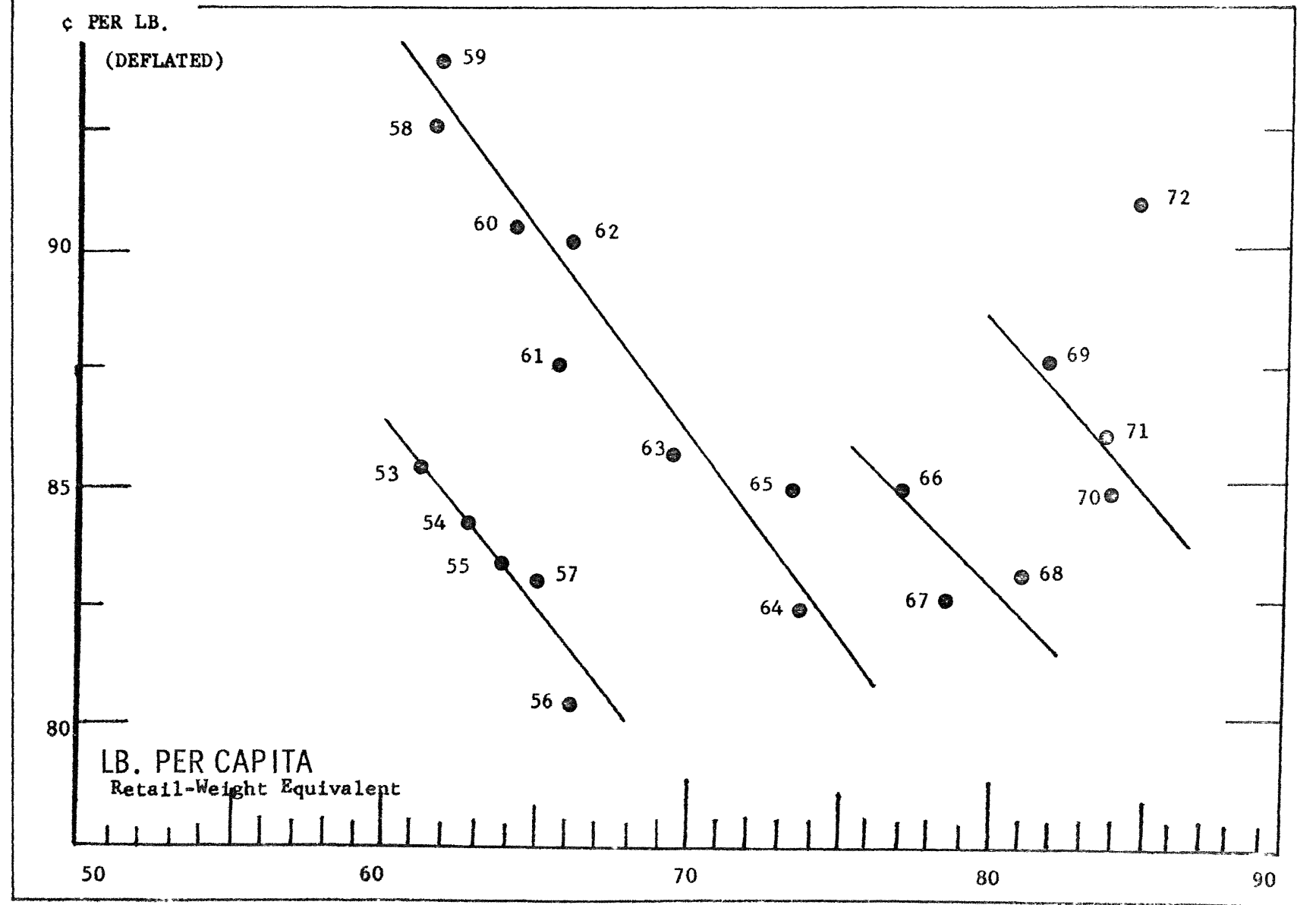
POUNDS PER PERSON PER YEAR

	<u>BEEF</u>	<u>PORK</u>	<u>RED MEAT</u>
1950	63.4	69.2	144.6
1960	85.2	65.2	161.4
1970	113.7	66.4	186.3
1971	113.0	73.0	191.8
1972	115.9	67.4	188.8
1973 Est.	118	69	193
1980 Est.	140	70	215

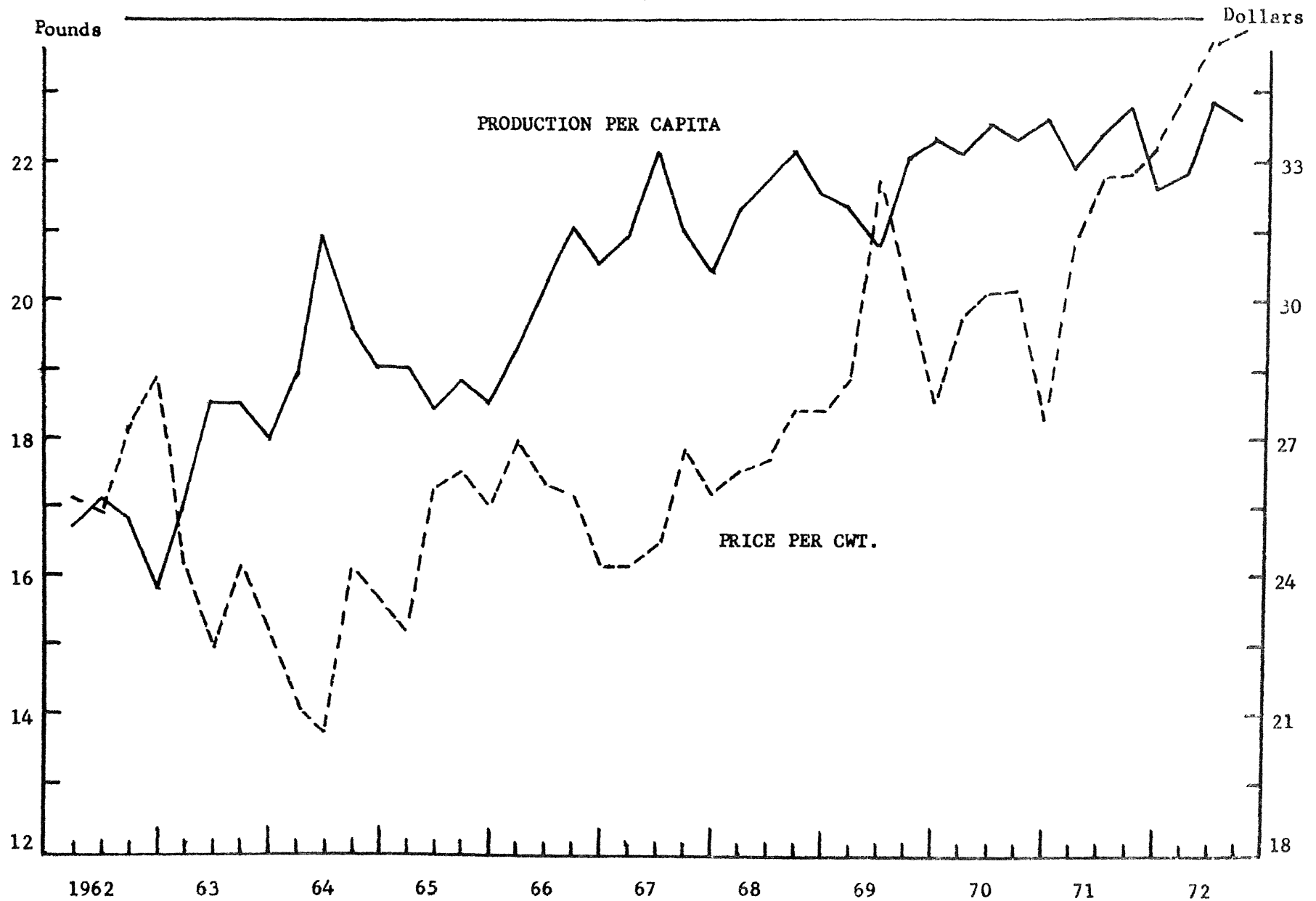
THE BEEF MARKET

	<u>1950</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1980 Est.</u>
POPULATION (Millions)	151	203	206	209	225
REAL INCOME / FAMILY	\$ 5,594	\$ 10,289	\$ 10,785	\$ 11,421	\$ 15,000
BEEF PER PERSON (Lbs.)	63 #	113 #	113 #	116 #	140 #
TOTAL BEEF, (Bil. Lbs.)	9.6	21.7	21.9	22.2	31
NO. BEEF CATTLE, Mil. HEAD	15.5	35	35.6	35.8	50
PRICE PER CWT.	\$ 28.69	\$ 29.34	\$ 32.42	\$ 35.83	
RETAIL PRICE PER LB.	77¢	99¢	104¢	114¢	

RETAIL PRICE AND CONSUMPTION OF BEEF



STEER AND HEIFER PRODUCTION AND PRICES
(Quarterly Data)



INCREASE IN BEEF OUTPUT -- 1958 TO 1969

18 % MORE CALVES

82 % FEEDING

LESS CALF KILL	28 %
----------------	------

DRESSING PCT.	35 %
---------------	------

LIVE WEIGHT	6 %
-------------	-----

YOUNGER AGE	4 %
-------------	-----

FEEDER IMPORTS	9 %
----------------	-----

FUTURE BEEF PRODUCTION MUST COME LARGELY
FROM MORE COWS

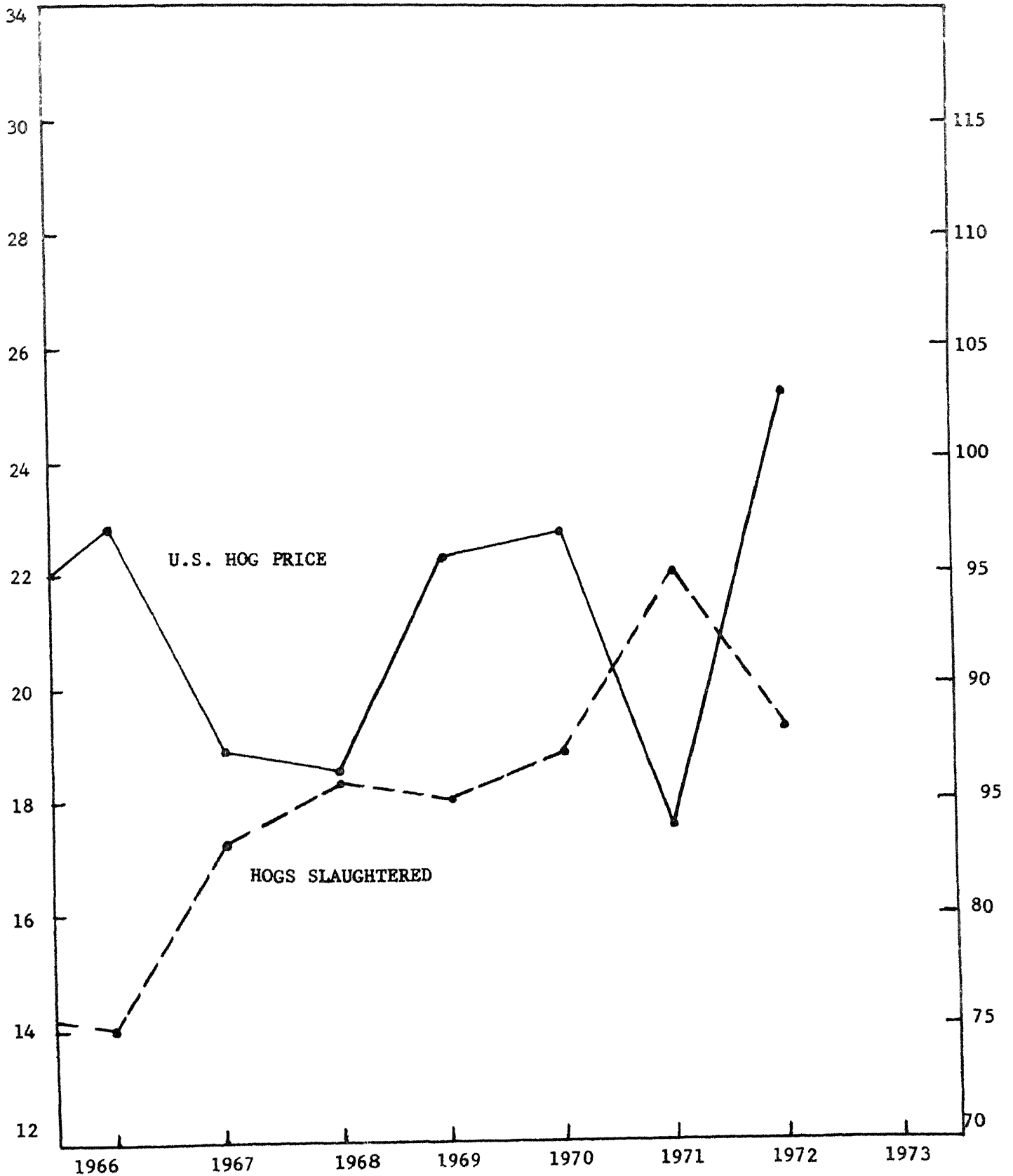
THE PORK MARKET

	<u>1950</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1980 Est.</u>
POPULATION (Millions)	151	203	206	209	225
REAL FAMILY INCOME	\$ 5,594	\$ 10,289	\$ 10,785	\$ 11,421	\$15,000
PORK PER CAPITA, Lbs.	69.2 #	66.4 #	73.0 #	67.4 #	70 #
HOGS, Mil. HEAD	63.5	85.8	94.4	84.7	95.5
PRICE / CWT.	\$ 18.30	\$ 21.95	\$ 18.45	\$ 26.76	--
RETAIL PRICE / Lb.	55.1¢	780¢	70.3¢	83.2¢	--

HOGS SLAUGHTERED AND PRICES

HOG PRICE
\$/Cwt.

HOG SLAUGHTER
Mil. Hd.



FEED COSTS UP

	<u>1972</u>	<u>EARLY 1973</u>
CORN	\$ 1.17 / bu.	\$ 1.40 / bu.
SOYBEANS	\$ 3.30 / bu.	\$ 5.50 / bu.
SOYBEAN MEAL	\$ 90.20 / ton	\$ 240.00 / ton

HIGHER FEED COSTS = HIGHER MEAT COSTS

HOGS + \$ 5-6/ Cwt.

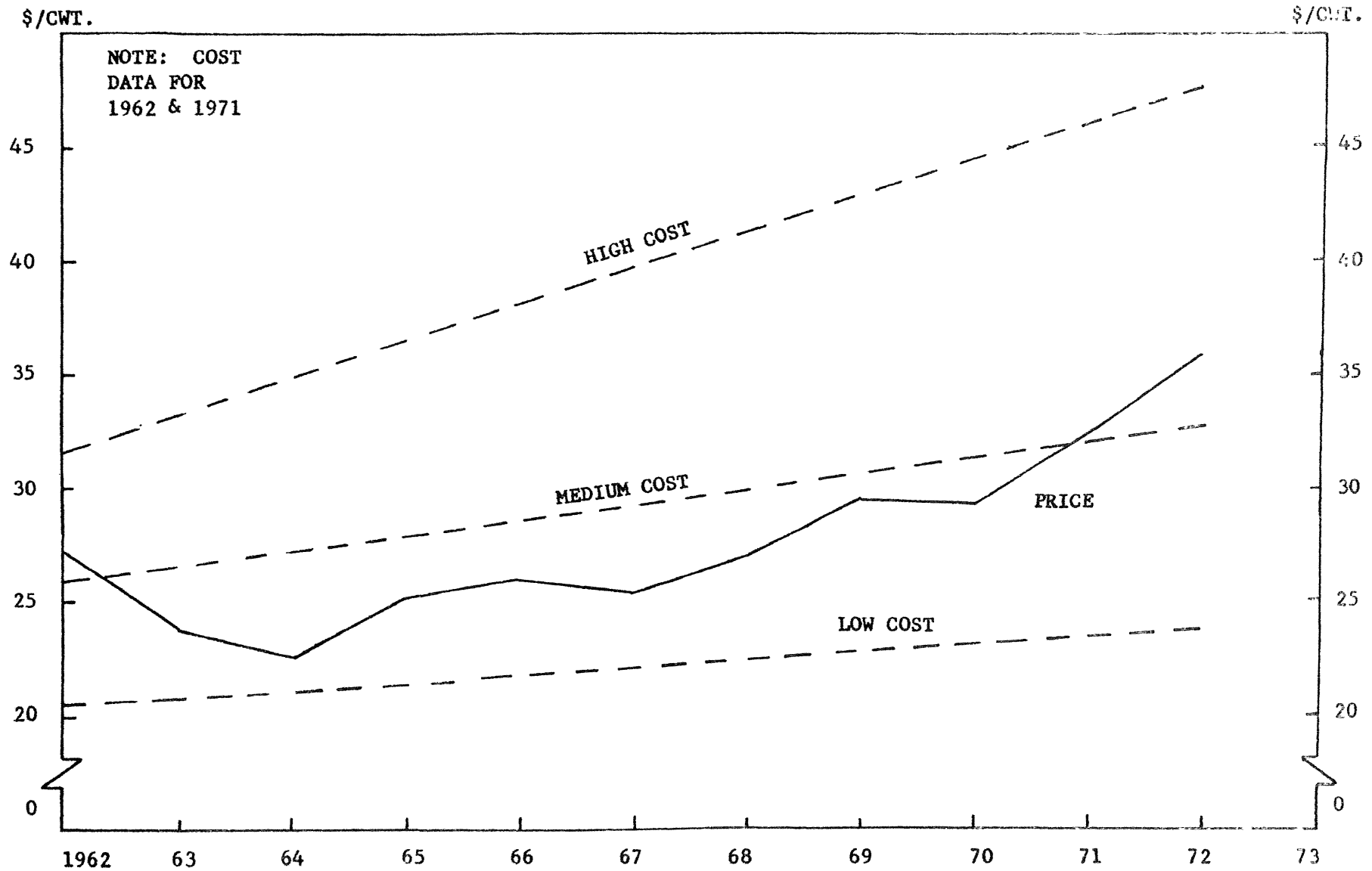
BEEF + \$ 6-7/ Cwt.

POULTRY

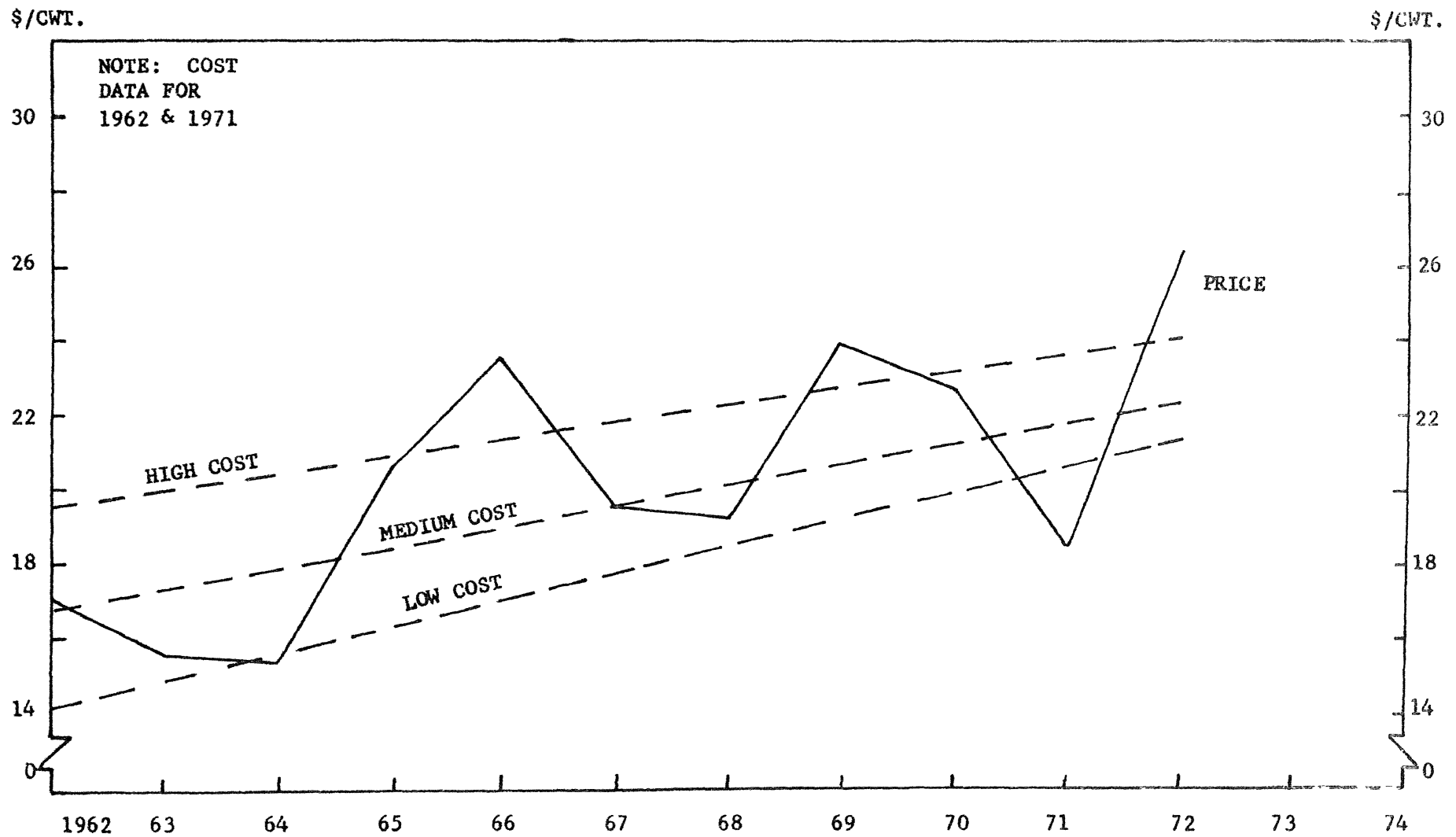
LIVE + 6¢/ Lb.

DRESSED + 9¢/ Lb.

STEER PRICES AND OHIO PROD. COSTS



U.S. HOG PRICES & OHIO PROD. COSTS



MEAT BOYCOTT WEEK - SOME EFFECTS

- LITTLE MEAT PRICE CHANGE
- REDUCED MEAT SALES
- INCREASED NON-~~MEAT~~ SALES: HIGHER PRICES
- LAYOFFS OF ~~MEAT~~ CUTTERS: BUTCHERS
- LIVESTOCK ~~MARKETINGS~~ REDUCED
- FARMERS NERVOUS
- POLITICIANS "JUMPY"

TO SUM UP:

- WE ARE AFFLUENT (HAVE MONEY)
- WE WANT BEEF
- HIGHER DEMAND = HIGHER PRICES
- BEEF OUTPUT IS UP
- PRODUCTION COSTS UP, TOO
- NEED MORE COWS TO MEET BEEF DEMAND